BRITISH COLUMBIA

BC STATS

Service BC
Ministry of Labour & Citizens' Services

Infoline

Contact: bcstats.infoline@gov.bc.ca Issue: 05-50 December 16, 2005

- **Exports up 1.4% as shipments to the US boost growth; manufacturing shipments up 1.5%**
- **New vehicle sales still weak**
- **Household spending in BC averages $64,270 in 2004; shelter costs and taxes take biggest bite**

The Economy

- **Exports of BC products rose 1.4% (*seasonally adjusted*) in October on the strength of continued demand for BC products south of the border–shipments to the US were up (+6.8%) for a fifth straight month.** Forest product exports to the US increased significantly (+9.4%) for the first time since June, and shipments of industrial and consumer goods were also robust, while energy exports rose 5.3%. The Canadian dollar is currently at its highest level vis-à-vis the US greenback since 1992. This makes the recent expansion in exports to the US all the more noteworthy, since the growth has occurred despite the fact that BC products are becoming more costly for Americans.

  Shipments to countries other than the US declined again in October, falling 8.0% after posting a marginal 0.6% drop in the previous month. Exports of industrial and consumer goods plunged (-24.8%), while overseas shipments of forest products were off 1.7%.

  Canadian exports rose 1.0% in October, marking the eighth straight monthly increase. As was the case in BC, trade with the US (+2.3%) boosted overall export growth, offsetting a decline in shipments to other destinations (-4.5%). Soaring natural gas prices in the aftermath of hurricane Katrina contributed to a 4.3% increase in the value of energy exports to the US.

  Data Source: Statistics Canada & BC Stats

- **Among the provinces, October was generally a good month, with exports (*unadjusted*) rising in every part of the country, compared to the same month of 2004.** The biggest increase was in Alberta, where exports shot up (+46.3%) for the second month in a row. Saskatchewan (+31.5%) also posted a significant gain. Energy exports fuelled the year-over-year increase in most of the energy producing provinces.

  Data Source: Statistics Canada

- **Shipments of goods manufactured in British Columbia advanced 1.5% (*seasonally adjusted*) in October, more than enough to offset September's 0.5% decline.** Although shipments by wood manufacturers were flat (+0.2%), paper (+4.4%) and food (+0.7%), the second and third largest industries in the sector, both posted gains. Prices for BC softwood lumber remained weak, down 11.3% (*unadjusted*) from October 2004 levels, and producers also received less for pulpwood chips and wood pulp, but newsprint export prices improved slightly, compared to the same month last year.

  Most manufacturing industries saw shipments rise in October, in many cases offsetting (or partly offsetting) declines in the previous month. Manufacturers of primary metals (+13.5%) and computer & electronic products (+13.3%) posted double-digit increases after shipments dropped substantially in September. In the primary metals industry, this was the first increase in the value of shipments since April.

  Nationally, shipments advanced 0.9% in October, with all four of the largest provinces making gains. Ontario (+1.6%) and BC (+1.5%) led the way among the large provinces, with slower growth recorded in both Alberta (+0.7%) and Quebec (+0.5%). In the rest of the country, shipments were down or flat in every province except PEI (+3.5%). The transportation equipment sector was a key mover on the national scene as Canadian shipments of motor vehicles bounced back (+7.6%) in October. Excluding motor vehicles and parts, total shipments were unchanged from September.

  Data Source: Statistics Canada

Report China's growth both an opportunity & a threat

Did you know...
One in five (21%) of BC's 7,469 police officers is female. That's well ahead of the national average (17%) and higher than in any other region.

- **The number of new vehicles driven off car lots in BC (including the territories) dropped again (-3.6%) in October.** Sales remained weak in the West and in Nova Scotia, but advanced 3.3% nationally. This was largely due to a rebound in Ontario (+3.6%) and Quebec (+11.2%), where sales had slumped after "employee pricing" and other incentive programs ended. In BC, sales of North American-made vehicles slipped 7.1%, while sales of vehicles manufactured overseas were virtually unchanged (+0.4%) from the previous month.

Data Source: Statistics Canada & BC Stats

Household Spending

- **British Columbia household spending averaged $64,270 in 2004, slightly more than the national average of $63,640.** Ontario ($71,580) and Alberta ($71,260) were the only provinces where household expenditures were higher.

Taxes took the biggest bite ($12,900 nationally) out of the household budget in most provinces, but in BC, shelter ($12,990) costs were higher than personal tax bills ($12,100). Transportation ($8,640), food ($7,120) and recreation ($3,900) were the other major expenditure items. British Columbians spent less ($210, net, compared to $260 nationally) on games of chance than other Canadians, but were more generous with gifts of money and contributions ($1,980 compared to $1,650). Spending on education was higher here ($1,340) than in any other province except Ontario ($1,380), and BC households also paid more for health care ($2,080) than residents of any other province except Alberta ($2,150).

For Canadian households in the top income quintile, personal taxes accounted for the biggest share (28%) of total household spending ($129,370). Shelter (16%) and transportation (13%) took smaller bites out of the household budget. In the 20% of households with the lowest incomes (averaging $21,280), taxes represented less than 4% of total spending. Low income households allocated 31% of their budget to shelter, with food (17%) and transportation (11%) accounting for smaller shares of total spending. Together, food, clothing and shelter ate up 51% of the total household budget for these households, compared to 28% for those in the highest income quintile. Households in the middle income quintile spent 37% of their average household income ($54,040) on these basic necessities.

Data Source: Statistics Canada

Non-profit institutions and volunteering

- **Economic activity in the non-profit sector recorded solid growth during the late 1990s and early 2000s.** Between 1997 and 2001, GDP for the core non-profit sector increased at an annual average rate of 7.1%, slightly faster than the average for the economy as a whole (+6.1%). *Data Source: Statistics Canada*

Environmental Indicators

- **The national concentration of ground-level ozone, a key component of smog, increased 16% from 1990 to 2003.** Among five regions studied, ozone concentrations were lowest in the Fraser Valley. The highest levels were recorded in Southern Ontario.

Greenhouse gas emissions rose 24% between 1990 and 2003, to 32% above the Kyoto Protocol target for 2008 to 2012 (the target was set below the level of emissions in 1990). Energy production and consumption accounted for 81% of total Canadian greenhouse gas emissions in 2003, and 91% of the growth in emissions since 1990. Road transportation, power generation and fossil fuel production are the principal sources of the increase.

However, emissions of CO_2 equivalent per unit of GDP dropped 13% from 1990 to 2003, largely due to efficiency improvements in the energy sector. In BC, emissions are lower than in the other large provinces, but they have increased since 1990. Alberta and Ontario have the highest emission levels.

In terms of water quality, most surface freshwater in Canada was rated as either "excellent or good" (44%) or "fair" (31%). About 25% of sites tested were rated "marginal or poor", meaning that they either exceeded guidelines for pollutant levels often, or by a considerable amount.

Data Source: Statistics Canada

***Infoline** Issue: 05-50*
December 16, 2005

For data originating from Statistics Canada, data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database; otherwise the source is identified as 'SC' plus the catalogue number.

Infoline Report

Issue: 05-50
Dec. 16, 2005

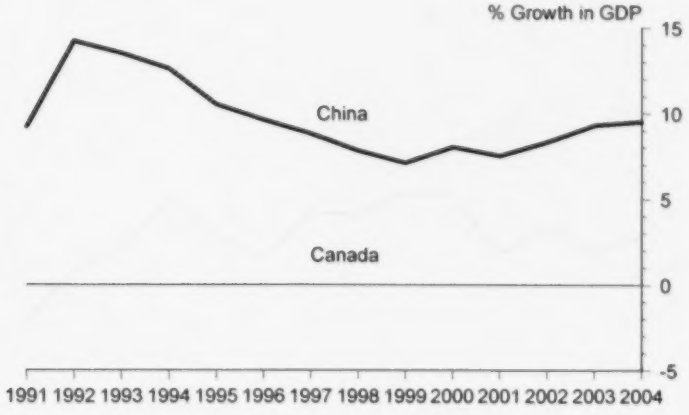
Contact: Dan Schrier (250) 387-0376
Originally published in *Exports* Issue 05-09. Annual Subscription $60 +GST

China's Growth Both an Opportunity and a Threat for Exporters

Over the past decade, China has blossomed into a significant economic power, becoming a major source of imports as well as a lucrative destination for exports. Despite efforts to slow China's overheated economy, it continues to grow rapidly, with GDP rising in excess of seven percent in each year from 1991 on, including growth over nine percent in each of the last two years.

China's economy has been growing by leaps and bounds in recent years…

China's economy has been growing at a phenomenal pace for more than a decade



…with GDP rising at a rate of more than 7% per year for over a decade

Although China often still faces criticism for its human rights record and protests frequently follow visiting Chinese leaders throughout North America and Europe, the depth of political and economic reform over the last couple of decades has been significant. An abundance of available labour offers China considerable advantages in manufacturing and Chinese products are proving to be stiff competition for manufacturers in other countries, not only in developed nations such as Canada and the United States, but also in many underdeveloped countries.

The influx of goods from China has spawned protectionist sentiment around the globe, including Canada. The removal of global import quotas on clothing and textiles as of January 1, 2005 and the subsequent flood of Chinese exports of these goods have created a significant backlash in North American and Europe with both the United States and the European Union moving to impose import restrictions and manufacturers in

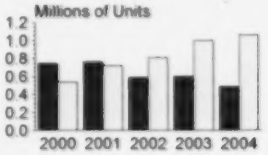
The rise in imports of Chinese goods is creating a protectionist environment in many countries

Canada lobbying the Canadian government to do the same.[1] The Canadian government is also facing pressure from certain manufacturers of bicycles and barbecues to impose protective tariffs on those goods.

In recent months, the Canadian International Trade Tribunal has published rulings on both bicycles and barbecues that conclude that the Canadian industries are suffering material injury as a result of imports from China and some other Asian nations.

In the case of bicycles, the Tribunal ruled in September that imported bicycles priced at $400 or less should face a surtax of 30% for a period of one year, to be reduced to 25% in the second year and 20% in the third year. The reasons given by the Tribunal for its decision were the combination of a 35% drop in domestic bicycle production from 2000 to 2004, combined with a 98% jump in imports over the same period. As a result, the market share for domestic producers has slipped from 58% in 2000 to only 30% in 2004.[2]

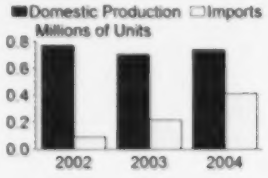
Canadian domestic bicycle production declined by 35% from 2000 to 2004 while imports climbed 98%, prompting calls for protective tariffs



The Tribunal's ruling has prompted criticism from several sources, including some in the bicycle manufacturing industry itself. The arguments against implementing the surtax include the potential harm to retailers and the increased cost to consumers, as well as the damage it could do to trade relations with countries such as China. According to the Tribunal's report, direct employment by those manufacturers affected was only 478 workers in 2004, down from 671 in 2003.

The story was similar with regard to barbecues. In October, the Tribunal found that Chinese imports of barbecues were causing injury to domestic barbecue manufacturers. Imports of barbecues from China into Canada soared from 89,608 units in 2002 to 412,053 units in 2004, an increase of 360%. China's share of the Canadian barbecue market climbed from 10% to 39% over the same period. However, unlike the case with bicycles, where there was a clear decline in production and employment, domestic barbecue production fell only marginally (-4%) between 2002 and 2004, while direct employment in the Canadian industry actually climbed from 677 in 2002 to 783 in 2004.

Imports of barbecues from China skyrocketed 360% from 2002 to 2004, inciting protectionist sentiment



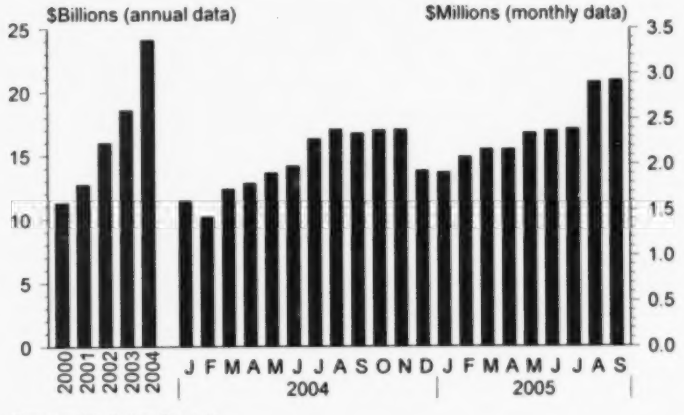
[1] For more discussion of the clothing and textile issue, see "Removal of Textile Quotas Tailor-Made for Protectionist Fervour" in the June 2005 issue of *Exports*.

[2] All numbers quoted regarding bicycle or barbecue production, imports and market share are taken from the Canadian International Trade Tribunal Reports: *Global Safeguard Inquiry into the Importation of Bicycles and Finished Bicycle Frames* and *Market Disruption Safeguard Inquiry into Barbeques Originating in the People's Republic of China*.

This is all coming at a time when the Canadian government is promoting the expansion of trade with China, putting the government in a difficult position. If the federal government agrees to implement these tariffs it will risk the progress it has made with China in promoting more two-way trade. In addition, any new tariff barriers Canada puts up may make it difficult for Canada to be taken seriously in World Trade Organization negotiations and could weaken the case against the United States with regard to softwood lumber and other trade disputes. Canada could hardly argue that it is looking to encourage free trade if it is actively pursuing the addition of new protectionist trade barriers, and calls for the United States to stop its protectionist ways with regard to softwood lumber and wheat would look hypocritical, at best.

Another danger in acceding to the demand for protectionist measures on bicycles and barbecues is that other industries could join the bandwagon and try to get protection for their products as well. In fact, furniture manufacturers have already filed a complaint with the Canadian International Trade Tribunal seeking a tariff of up to 60 percent on Chinese-made furniture. Considering the fact that imports from China into Canada have more than doubled in value since 2000 and continue to grow, it is likely that there will be further calls for protection from domestic industries that feel threatened, particularly those that are inefficient and will not be able to compete.

Canadian imports from China have more than doubled in value since 2000 and are still growing

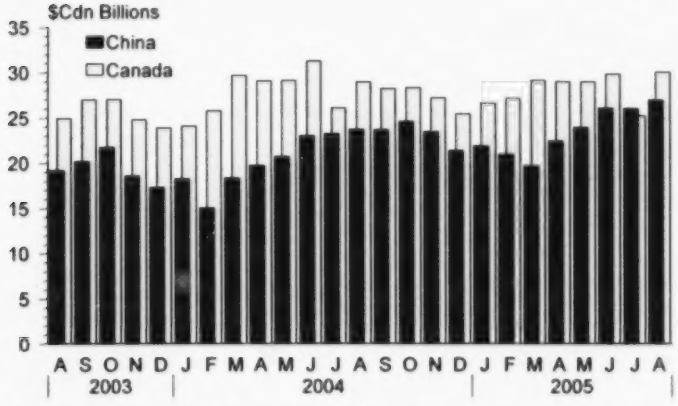


Source: Statistics Canada

Imports from China into Canada have been growing at a rapid pace, more than doubling in value since 2000

Canadian companies are not the only ones seeking protection from surging Chinese imports. Manufacturers in the United States are looking for government support as well, as imports of Chinese goods continue to flood into that country in record volumes. In fact, in July, for the first time ever, China surpassed Canada as the top source of imports into the United States over a monthly period. Although the distinction of being the primary source of imports to the US was short-lived, as Canada regained top spot in August, it is an indication of just how far China has come in a short time. Since 1995, the value of US imports from China has climbed by over 300%. By comparison, US imports from Canada have increased by "only" 68%. From this latter number, it does not appear that much of China's growth in exports to the US came at the expense of Canadian exports. This is because the types of goods shipped from China are generally quite different than those shipped from Canada.

China briefly overtook Canada as the top source of imports to the United States in July



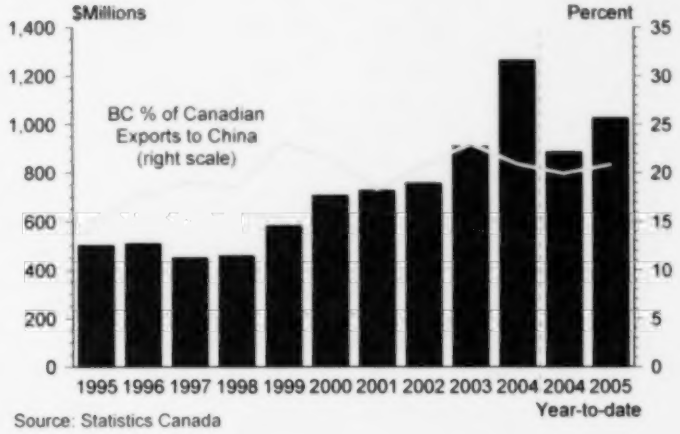
Source: US Bureau of the Census, Industry Canada

China surged ahead of Canada as a source of imports into the US in July before slipping back to second rank in August

In recent months, in response to the refusal of the United States to accept a binding decision by a panel under the North American Free Trade Agreement (NAFTA) regarding softwood lumber duties, the Canadian government has expressed interest in diversifying its export market and lessening its dependence on the United States. China is one of the countries that is usually cited as a desirable trade partner. While some of this talk may simply be a tactic to get the United States government to take Canada's grievances more seriously, it cannot be denied that China's enormous population offers great potential for export-

ers. This is particularly true for exporters in BC with this province's advantage of location, having the closest ports to China in North America. Given the vast market potential, it is not surprising that BC exports to China have undergone significant expansion, including growth of 39% between 2003 and 2004.

British Columbia has ramped up its exports to China



Source: Statistics Canada

The value of BC exports to China jumped 39% between 2003 and 2004

China was the third most significant destination for BC origin exports in 2004 with 4.1% of commodity shipments from BC headed to that country. While this is still well behind the US (65.0% of BC exports) and Japan (12.3%), it is a substantially higher percentage compared to just a decade earlier. In 1994, only 1.3% of BC's goods exports were shipped to China. British Columbia (20.9%) is second only to Alberta (30.1%) as a source for Canadian goods exports to China, well ahead of third-ranked Ontario (13.1%). The goods most often mentioned in relation to boosting trade with China are energy products and lumber, which are most prevalent in Alberta and BC respectively, likely ensuring that these two provinces will remain ranked at the top with respect to share of Canadian exports to China.

BC ranks second to Alberta as a source of Canadian exports to China

The promise of the massive Chinese market buying up BC's lumber products may be enough to make the mouths of BC's lumber manufacturers water, particularly when they are facing oppressive duties on shipments to the United States, but there are some obstacles that may stand in the way of this happening on a large scale. Although China has begun the process of changing their building codes to incorporate wood frame construction, there is still a bias toward building with concrete and bricks. Canadian companies are battling the perception that

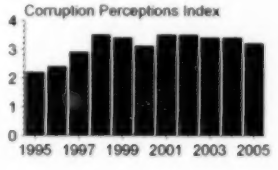
China offers a huge market for BC lumber products, but there are obstacles to overcome

wood construction is flimsy and susceptible to fire. Unless the Chinese can be convinced that houses constructed of wood are structurally sound, those homes could be a tough sell. However, if wood housing catches on, China's population of over 1.3 billion would constitute a formidable market.

The sheer magnitude of the Chinese market makes it a tempting target for exporters; however, one caveat that should be considered by any foreign-based company that wants to do business in China is the level of corruption prevalent in that country. For example, bribery and kickbacks are fairly commonplace in China and companies looking to get a foot in the door by following these corrupt practises could find themselves breaking the law in their own country. In the United States several companies have already been prosecuted for violating anti-bribery laws.

In its latest index of corruption, Transparency International ranked China 78th out of 159 countries surveyed, with a Corruption Perception Index score of 3.2 (where 10 indicates no corruption). This compares to a score of 8.4 for Canada, which has dropped from 9.2 in 2000 in the wake of the federal sponsorship scandal. The perception of corruption in China was actually improving through the late 1990s, with the index rising from 2.2 in 1995 to a high of 3.5 as recent as 2002, but in recent years the progress made in this area has been halted and the index has actually worsened.

After improving through the late 1990s, the perception of corruption in China has actually worsened in the last few years



Canadian companies that are eager to penetrate the massive Chinese market need to consider the risks of dealing in a market rife with corruption. Another consideration for those that would like to see Canada turn away from trade with the US is the distance between Canada and China. China may look like a favourable market right now, but if the cost of energy continues to escalate, the price of transporting goods across that distance could price Canadian goods out of the Chinese market. This is not to say that Canada shouldn't pursue closer trade ties with China, for clearly it has the potential to be a lucrative market. Canadian companies just need to ensure they are aware of all the possible costs and risks involved.

Infoline

December 16, 2005

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also on the Internet at www.bcstats.gov.bc.ca

BC at a glance . . .

POPULATION (thousands)	Jul 1/05	% change on one year ago
BC	4,254.5	1.3
Canada	32,270.5	0.9
GDP and INCOME		
(BC - at market prices)	2004	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	157,241	7.7
GDP *($ 1997 millions)*	139,205	4.0
GDP *($ 1997 per Capita)*	33,129	2.8
Personal Disposable Income *($ 1997 per Capita)*	20,182	1.4
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Oct	3,583	1.5
Merchandise Exports - Oct	3,157	1.4
Retail Sales - Sep	4,281	-0.3
CONSUMER PRICE INDEX		12-month avg
(all items - 1992=100)	Oct '05	% change
BC	126.3	2.0
Canada	128.5	2.3
LABOUR FORCE (thousands)		
(seasonally adjusted)	Nov '05	% change on prev. month
Labour Force - BC	2,279	0.6
Employed - BC	2,167	0.8
Unemployed - BC	112	-2.9
		Oct '05
Unemployment Rate - BC *(percent)*	4.9	5.1
Unemployment Rate - Canada *(percent)*	6.4	6.6
INTEREST RATES (percent)	Dec 14/05	Dec 15/04
Prime Business Rate	5.00	4.25
Conventional Mortgages - 1 year	5.60	4.80
- 5 year	6.15	6.05
US/CANADA EXCHANGE RATE	Dec 14/05	Dec 15/04
(avg. noon spot rate) Cdn $	1.1531	1.2230
US $ *(reciprocal of the closing rate)*	0.8682	0.8165
AVERAGE WEEKLY WAGE RATE		% change on
(industrial aggregate - dollars)	Nov '05	one year ago
BC	717.66	2.4
Canada	712.77	3.9

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bankofcanada.ca

CORRECTION

Population estimates 2005

The problem noted below was confined to a single table published on our website in three formats: asp (screen); csv (spreadsheet download), and; pdf (printable page). The table is accessed by choosing: "Sorted By: Regional District: 1996-2005".

- The unincorporated area of Powell River Regional District and the total for Powell River RD were misreported as 38 persons less than what should have been stated for each year from 2002 to 2005. Only these two rows stand corrected.

If you have previously downloaded this information, please do so again. We apologise for the inconvenience.

Information published in Infoline issue 05-48 of December 2 and also in Business Indicators, November 2005 is **not affected**.

Corrected files at:

Municipal and regional district population 2005

http://www.bcstats.gov.bc.ca/data/ [continued]
pop/pop/mun/Mun9605e.asp

Released this week by BC STATS

- Exports, October 2005

Next week

- Consumer Price Index, November 2005
- Business Indicators, December 2005
- Current Statistics, December 2005

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